

## SHARED REVENUE AND TAX RELIEF

	2022-23 Base Year Doubled	2023-25 Governor	2023-25 Jt. Finance	Joint Finance Change to:			
				Governor		Base	
				Amount	Percent	Amount	Percent
<b>Direct Aid Payments</b>							
Expenditure Restraint	\$118,623,400	\$116,291,400	\$58,145,700	-\$58,145,700	-50.0%	-60,477,700	-51.0%
County and Municipal Aid	1,416,775,000	1,426,928,400	707,684,200	-719,244,200	-50.4	-709,090,800	-50.0
Municipal and County Shared Revenue	0	576,153,200	0	-576,153,200	-100.0	0	0.0
Lac Courte Oreilles Decision Aid	0	1,098,200	0	-1,098,200	-100.0	0	0.0
Public Utility Distribution	175,833,800	184,878,000	187,367,400	2,489,400	1.3	11,533,600	6.6
State Aid; Tax Exempt Property	196,094,200	294,141,300	98,047,100	-196,094,200	-66.7	-98,047,100	-50.0
State Aid; Personal Property Tax Exemption	151,061,800	353,641,800	75,620,900	-278,020,900	-78.6	-75,440,900	-49.9
State Aid; Video Service Provider Fee	20,016,400	20,016,400	10,008,200	-10,008,200	-50.0	-10,008,200	-50.0
Interest Payments on Overassessments of Manufacturing Property	20,000	20,000	20,000	0	0.0	0	0.0
Payments for Municipal Services	37,168,400	39,026,800	18,584,200	-20,442,600	-52.4	-18,584,200	-50.0
			0	0			
<b>Property Tax Credits</b>							
Homestead Tax Credit	94,600,000	186,100,000	79,900,000	-106,200,000	-57.1	-14,700,000	-15.5
Pre-2010 Farmland Preservation Credit	580,000	480,000	430,000	-50,000	-10.4	-150,000	-25.9
Farmland Preservation Credit	33,000,000	32,200,000	31,600,000	-600,000	-1.9	-1,400,000	-4.2
School Levy Tax Credit	1,880,000,000	1,880,000,000	2,470,000,000	590,000,000	31.4	590,000,000	31.4
First Dollar Credit	297,000,000	296,456,000	296,456,000	0	0.0	-544,000	-0.2
<b>Other Credits</b>							
Claim of Right Credit	300,000	244,000	244,000	0	0.0	-56,000	-18.7
Jobs Tax Credit	2,000,000	710,000	1,600,000	890,000	125.4	-400,000	-20.0
Business Development Credit	23,400,000	16,936,000	32,200,000	15,264,000	90.1	8,800,000	37.6
Enterprise Zone Jobs Credit	155,000,000	89,640,000	90,125,000	485,000	0.5	-64,875,000	-41.9
EITM Zone Credit	17,141,400	14,657,000	14,657,000	0	0.0	-2,484,400	-14.5
Research Credit	42,000,000	91,400,000	46,300,000	-45,100,000	-49.3	4,300,000	10.2
Veterans and Surviving Spouses Property Tax Credit	100,000,000	153,000,000	114,300,000	-38,700,000	-25.3	14,300,000	14.3
Cigarette and Tobacco Products Tax Refunds	59,400,000	56,574,000	53,500,000	-3,074,000	-5.4	-5,900,000	-9.9
Marijuana Tax Refunds	0	2,200,000	0	-2,200,000	-100.0	0	0.0
Earned Income Tax Credit	51,000,000	91,732,000	54,400,000	-37,332,000	-40.7	3,400,000	6.7
<b>Forestry Mill Rate</b>							
Forestry Mill Rate -- GPR Transfer to the Conservation Fund	<u>231,082,600</u>	<u>277,000,000</u>	<u>277,000,000</u>	<u>0</u>	<u>0.0</u>	<u>45,917,400</u>	<u>19.9</u>
GPR Total	\$5,102,097,000	\$6,201,524,500	\$4,718,189,700	-\$1,483,334,800	-23.9%	-\$383,907,300	-7.5%
<b>Other Credits</b>							
Earned Income Tax Credit; Temporary Assistance for Needy Families	<u>\$133,200,000</u>	<u>\$213,807,000</u>	<u>\$126,727,000</u>	<u>-\$87,080,000</u>	<u>-40.7%</u>	<u>-\$6,473,000</u>	<u>-4.9%</u>
PR Total	\$133,200,000	\$213,807,000	\$126,727,000	-\$87,080,000	-40.7%	-\$6,473,000	-4.9%
<b>Direct Aid Payments</b>							
Expenditure Restraint	\$0	\$0	\$58,145,700	\$58,145,700	N.A.	\$58,145,700	100.0%
County and Municipal Aid	0	0	753,075,300	753,075,300	N.A.	753,075,300	100.0
County and Municipal Aid, Police and Fire Protection Fund	68,849,600	57,304,600	34,424,800	-22,879,800	-39.9	-34,424,800	-50.0
Supplemental County and Municipal Aid	0	0	274,867,200	274,867,200	N.A.	274,867,200	100.0
State Aid; Tax Exempt Property	0	0	98,047,100	98,047,100	N.A.	98,047,100	100.0
State Aid; Personal Property Tax Exemption	0	0	75,620,900	75,620,900	N.A.	75,620,900	100.0
State Aid; Repeal of Personal Property Taxes	0	0	173,800,000	173,800,000	N.A.	173,800,000	100.0
State Aid; Video Service Provider Fee	0	0	10,008,200	10,008,200	N.A.	10,008,200	100.0
Payments for Municipal Services	0	0	18,584,200	18,584,200	N.A.	18,584,200	100.0
Innovation Fund	0	0	300,000,000	300,000,000	N.A.	300,000,000	100.0
Innovation Planning Grants	0	0	3,000,000	3,000,000	N.A.	3,000,000	100.0
<b>Property Tax Credits</b>							
Lottery and Gaming Credit	554,232,000	595,927,600	649,815,800	53,888,200	9.0	95,583,800	17.2
Lottery and Gaming Credit; Late Applications	<u>1,331,200</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>0</u>	<u>0.0</u>	<u>368,800</u>	<u>27.7%</u>
SEG Total	\$624,412,800	\$654,932,200	\$2,451,089,200	\$1,796,157,000	274.3%	\$1,826,676,400	292.5%
Total Funding	\$5,859,709,800	\$7,070,263,700	\$7,296,005,900	\$225,742,200	3.2%	\$1,436,296,100	20.7%

## Budget Change Items

### Direct Aid Payments

#### 1. MUNICIPAL AND COUNTY SHARED REVENUE ACCOUNT -- 20% OF STATE SALES AND USE TAXES LESS EXISTING PROGRAMS

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance (Chg. to Gov)</b>	<b>Net Change</b>
GPR-Transfer	\$0	\$1,866,380,000	\$1,866,380,000
GPR-REV	\$0	\$17,173,200	\$17,173,200
SEG-REV	0	1,866,380,000	1,866,380,000

**Governor:** Establish a new account in the general fund entitled the "Municipal and County Shared Revenue Account" (MCSR account). Specify that the fund would consist of an amount equal to 20% of the amount of the revenues received from state sales and use taxes, as specified in the general fund condition summary under s. 20.005(1) in each fiscal year, less the payments from the following programs: (a) the amount distributed through the expenditure restraint program, under the bill; (b) the amount distributed through the existing county and municipal aid program; and (c) amounts distributed to counties and municipalities as state aid for tax-exempt personal property, including the new aid payment associated with the exemption of personal property from taxation included in the bill. The remaining funds each year would be available for a newly-created municipal and county shared revenue program.

As drafted, the MCSR account would consist of 20% of state sales and use tax revenue in each year of the biennium. The Administration indicates that its intent was that beginning in calendar year 2024, the fund would consist of 20% of the sales tax and use tax revenues for the fiscal year ending in that calendar year, and each year thereafter, less the amounts for the programs identified earlier. This would mean that the MCSR account would first consist of 20% of state sales and use tax revenues in 2024-25, with the amount to be included in the fund being based on 2023-24 sales tax collections, less the amounts for programs identified earlier. An amendment would be needed to reflect the Administration's intent. Using the Administration's intended language, the following table indicates how the administration calculated the \$576,153,200 that would be available for the new municipality and county shared revenue program (described in a separate recommendation below).

**Governor's Estimate of Sales and Use Tax Available to the  
MCSR Account and New Municipal and County Shared Revenue Program**

State Sales and Use Tax Revenues (2023-24)	\$7,603,150,000
Estimate of 20% of State Sales Tax	\$1,520,630,000
<b>Less Existing Program Funding</b>	
Existing County and Municipal Aid	753,075,800
Expenditure Restraint	58,145,700
Existing Exempt Personal Property Aid (Counties and Municipalities)	29,090,500
Proposed Exempt Personal Property Aid (Counties and Municipalities)	<u>104,164,800</u>
Total Existing Program Amounts	\$944,476,800
 Amounts Available for New Municipal and County Shared Revenue Program	 \$576,153,200

For the purposes of calculating the MCSR account funds available for the new municipal and county shared revenue program, the bill refers to the existing county and municipal aid distribution amount of \$748.1 million. This amount does not include the \$5.0 million that the Secretary of the Department of Health Services is required to pay from medical assistance funds to specific local government units for medical care transportation services. The Administration indicates that its intent was to include these amounts when calculating the funds available for the new municipal and county shared revenue program. The bill would have to be amended to reflect this intent.

**Joint Finance:** Delete provisions. Instead, establish a new segregated fund entitled the "Local Government Fund." In 2024-25, pursuant to 2023 Wisconsin Act 12, transfer 20% of state sales and use taxes, as outlined in the summary of general fund taxes under the biennial budget act, prepared by the Legislative Fiscal Bureau, to the local government fund. Estimate the amount of the transfer in that year at \$1,563.4 million. In addition, in 2024-25, make a one-time transfer of \$300.0 million to the innovation account and a one-time transfer of \$3.0 million to the innovation planning grants account within the local government fund, also pursuant to Act 12. Direct the Department of Administration to exclude the amounts transferred to the innovation account and the innovation planning grants account from the base for the 2025-27 budget.

In 2025-26, and each year thereafter, transfer from the general fund to the local government fund the sum of the following: (a) the amount transferred to the local government fund in the previous fiscal year, excluding the amounts transferred on July 1, 2024 to the innovation account and the innovation planning account; and (b) the percentage change in the estimated amount of state sales and use tax revenues, as outlined in the summary of general fund taxes under the biennial budget act, for the previous fiscal year compared to the preceding fiscal year, multiplied by the amounts available for distribution in the previous fiscal year in the newly-created county and municipal aid and supplemental county and municipal aid accounts within the local government fund. Specify that 15% of the annual transfer amount would be transferred to the local government fund on the second Monday in July of each year, and the remaining 85% would be transferred on the second Monday in November of each year.

Pursuant to 2023 Act 12, convert the GPR funding for the following programs to instead be

funded with SEG from the newly-created local government fund, beginning in 2024-25: (a) county and municipal aid; (b) expenditure restraint; (c) computer aid; (d) personal property aid, including aid on personal property exempted under 2017 Act 59; (e) video service provider fee aid; (f) payments for municipal services; (g) funding assistance program; and (h) law enforcement training program. In addition, specify that beginning in 2024-25, half of the funding for youth and family aids would be funded from the local government fund, and half would continue to be funded with GPR. Repeal the existing medical assistance supplement, that offsets a portion of county and municipal aid payments. Specify that the following programs, created under Act 12, would be funded from the local government fund, beginning in 2024-25: (a) supplemental county and municipal aid; (b) personal property aid, associated with the full repeal of the personal property tax included in Act 12; (c) innovation grants; and (d) innovation planning grants. See later items for the fiscal effect of these appropriation conversions and creations.

Transfer \$8.0 million from the local government fund to the transportation fund on December 30, 2024, and on each December 30, thereafter. This provision would make the transportation fund whole for the reduction in taxes paid by railroads associated with the repeal of the personal property tax under Act 12 (see "Property Taxation -- Personal Property Tax Exemption").

Require that any unencumbered balance of the local government fund, exceeding 0.1% of the amount transferred to the local government fund in that fiscal year, excluding the amounts credited to the innovation account and the innovation planning grants account, would transfer to the general fund on June 30, 2025, and on each June 30 thereafter. Require that the unencumbered balance in the innovation account and the innovation planning grants account would transfer to the general fund at the end of the fourth fiscal year after the date identified in the notice under Act 12. The table below indicates the estimated transfers to the local government fund in 2024-25, as well as the balance of that fund. The table also shows the reductions in GPR spending associated with converting the GPR appropriations to local government-SEG.

## Local Government Fund

2024-25

### Existing GPR Programs

Existing County and Municipal Aid	-\$707,684,200
Medical Assistance Supplement	-2,000,000
Expenditure Restraint Program	-58,145,700
Computer Aid	-98,047,100
Existing Personal Property Aid	-75,620,900
Video Service Provider Fee Aid	-10,008,900
Payments for Municipal Services	-18,584,200
Funding Assistance Program	-2,200,000
Law Enforcement Training	-2,000,000
Youth and Family Aids	<u>-46,652,900</u>
Total GPR Appropriation Reductions	-\$1,020,943,900

### Balance in Local Government Fund

Transfer to Local Government Fund - 20% of 2024-25 State Sales and Use Taxes	\$1,563,380,000
Transfer to Local Government Fund - Innovation Account and Innovation Planning Grants Account	<u>303,000,000</u>
Total SEG Revenues	\$1,866,380,000

Existing County and Municipal Aid	\$753,075,300
Expenditure Restraint Program	58,145,700
Computer Aid	98,047,100
Existing Personal Property Aid	75,620,900
Video Service Provider Fee Aid	10,008,900
Payments for Municipal Services	18,584,200
Funding Assistance Program	25,000,000
Law Enforcement Funding	8,800,000
Youth and Family Aids	46,652,900
Supplemental County and Municipal Aid	274,867,200
Full Personal Property Exemption Aid	173,800,000
Transfer to Transportation Fund	\$8,000,000
Current Law County and Municipal Aid Lapses*	<u>-\$5,958,800</u>
Total SEG Expenditures	\$1,544,643,400

Balance Before General Fund Lapse \$18,736,600

Reserve of 0.1% \$1,563,400

Estimated General Fund Revenue, 2024-25 \$17,173,200

\*Lapses are related to current law offsets to county and municipal aid associated primarily with the \$4.0 million from Milwaukee County for the Bucks Arena and for partial repayment of mass transit capital grants.

**2. NEWLY-CREATED MUNICIPAL AND COUNTY SHARED REVENUE AID PROGRAM AND FORMULA**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$576,153,200	-\$576,153,200	\$0
SEG	<u>0</u>	<u>274,867,200</u>	<u>274,867,200</u>
Total	\$576,153,200	-\$301,286,000	\$274,867,200

**Governor:** Provide \$576,153,200 in 2024-25 for calendar year 2024 municipal and county aid payments to be distributed under a new municipal and county shared revenue aid payment program administered by DOR. This funding level represents the amount of funds available in the Municipal and County Shared Revenue (MCSR) account, described above in a separate recommendation, for distribution under the new aid payment. Because the MCSR account would consist of 20% of state sales and use taxes, less the required reductions to fund other programs described in the previous item, the amount available to be distributed under the new aid payment program would grow each year by the amount of growth in 20% of state sales and use taxes. These aid payments would be in addition to the \$748.1 million currently distributed under the existing county and municipal aid program, and would be made from a newly-created sum sufficient appropriation.

Beginning in 2024-25, create a public safety payment, a per capita aid payment, and an aidable revenue aid payment. In addition, beginning in 2025-26, create an aids deficiency payment. Specify that these payments are to be funded from the MCSR account and distributed to municipalities and counties.

*Public Safety Payments.* Create a public safety payment that could only be used to pay for the following services: (a) law enforcement; (b) fire protection; (c) ambulance and emergency medical services; and (d) the costs of prosecutorial and judicial functions. Specify that that the funding level for this payment would equal 43.4% of the total funding in the newly-established MCSR account, rounded to the nearest \$1,000,000, which would equal \$250,000,000 in 2024-25, for calendar year 2024 payments, given the recommended funding. Require DOR to calculate the payment as a percentage of the most recent three-year average of qualifying public safety expenditures for each county and municipality as necessary to distribute the full amount of aid available, or \$10,000, whichever is greater. Specify that "qualifying public safety expenditures" would mean amounts expended by each municipality or county for the purposes of law enforcement, fire protection, or ambulance and emergency medical services, as reported to DOR under current law.

*Funding Available for Per Capita, Aidable Revenues, and Deficiency Payments.* Specify that the funding level for these aid payments would equal the amount of remaining funds in the MCSR account, after accounting for the distribution of the public safety payments. Given the recommended funding under the bill, \$326,153,200 would be available for these aid payments in 2024-25 for calendar year 2024 payments. Specify that 70% of this funding (\$228,307,200) would be distributed to municipalities and 30% (\$97,846,000) to counties.

Specify that 15% of the funding provided municipalities and counties would be available for per capita aid payments for each group, while 85% of the funding available for each group would be used to make aidable revenue payments. Based on the funding available for these payments for each group, \$34,246,100 in per capita aid and \$194,061,000 in aidable revenue payments would be available for distribution to municipalities in 2024-25 for calendar year 2024 payments. Counties would have \$14,676,900 in per capita and \$83,169,100 in aidable revenue funding available for distribution in 2024-25 for calendar year 2024 payments.

Per Capita Aid Payment. Require DOR to calculate the per capita aid payment amounts for municipalities and counties by dividing the per capita funding available for each group by the state's total population to derive a statewide average municipal and county per capita amount. The per capita amount for each group would then be multiplied by the population of each municipality and county to determine each municipality's and county's per capita aid payment.

Aidable Revenues Payment. Require DOR to determine the following in order to calculate aidable revenue payments:

(a) "aidable revenues," would equal the total of the three-year average of the following revenues: (1) general property taxes and other taxes; (2) payments in lieu of taxes; (3) special assessments; (4) licenses and permits; (5) fines and forfeitures; (6) public charges; (7) intergovernmental revenues; and (8) other shared revenue distributions, consisting of the existing county and municipal aid program, the expenditure restraint program, exempt property aid payments, including the aid related to proposed full exemption of personal property, and video service provider fee payments, but not including public utility aid payments;

(b) "equalized value" would equal the assessed value of county and municipal property adjusted to reflect full value, including, for municipalities, the value increment for tax incremental districts and excluding manufacturing land and improvements assessed by DOR;

(c) "equalization factor," would equal the ratio of municipal or county equalized value per capita divided by the statewide equalized value per capita, as calculated by DOR separately for municipalities as a group and counties as a group, but not to exceed 500% of the statewide equalized value per capita;

(d) "standard aidable revenue match percentage" would mean the percentage match of aidable revenues determined by DOR, as necessary to distribute the total funding available for the aidable revenues payment;

(e) "municipal equalized value per capita," would mean the amount of a municipality's most recent equalized value divided by the municipality's population; and

(f) "county equalized value per capita," would mean the amount of a county's most recent equalized value divided by the county's population.

Require DOR to calculate the aidable revenues payment for municipalities and counties separately as follows: (a) divide the standard aidable revenue match percentage by the equalization factor for the municipality or county receiving the payment; and (b) multiply that result by the

municipality's or county's aidable revenues.

The following table indicates the funding amount available to municipalities and counties under the proposed municipal and county shared revenue program.

**Funding Available Under the Proposed Municipal  
and County Shared Revenue Program**

	<u>2024</u>
<b>Municipalities and Counties</b>	
Public Safety Payments	\$250,000,000
<b>Municipalities</b>	
Per Capita Aid Payments	\$34,246,100
Aidable Revenues	<u>194,061,100</u>
Subtotal	\$228,307,200
<b>Counties</b>	
Per Capita Aid Payments	\$14,676,900
Aidable Revenues	<u>83,169,100</u>
Subtotal	\$97,846,000
 Total	 \$576,153,200

Aids Deficiency Payment. Specify that, beginning with payments distributed in 2025 (2025-26), a municipality or county is determined to have an aids deficiency if the amount that a municipality or county receives from the sum of aid payments paid from the MCSR account and from the existing county and municipal aid program, is less than 95% of the amount that county or municipality received from these programs in the prior year. Provide that the amount of the aids deficiency would equal the amount by which 95% of the total payment received from payments to a municipality or county made from the MCSR account and the existing county and municipal aid program in the prior year exceeds the amount of the same payments calculated for the municipality or county in the current year.

Specify that beginning with payments in 2025 (2025-26), a "maximum allowable increase" would be determined each year. Require the annual growth in the amount that each municipality or county may receive from the sum of the payments from the MCSR account and the existing county and municipal aid payment to be limited to that maximum allowable increase. Require DOR to withhold any amount of calculated payments in excess of the maximum allowable increase. Specify that the "maximum allowable increase" would equal a percentage derived by taking the sum of the payments calculated that year, as described above, over those same payments as limited by the maximum allowable increase, and setting that difference equal to the total of aids deficiency payments for that year. The administration indicates that its intention was to require DOR to calculate the aids deficiency and maximum allowable increase separately for counties and municipalities, which is not clearly indicated as drafted. As a result, an amendment would be needed to clarify this intent.

*Reporting Requirements.* Specify that no municipality or county may receive a payment from the new aid payments that would be funded from the MSCR account in any year in which it fails to submit the annual financial report form to DOR required under current law. Provide that if a county or municipality does not submit the information, as required, or if a county or municipality submits incomplete information, DOR would be directed to notify the county or municipality and provide a reasonable opportunity to provide the information or correct the deficiency.

*Distribution of Payments.* As under current law for certain existing aid payments, require DOR to provide each municipality and county with an estimate of their payments from the MCSR account for the next calendar year by September 15 of each year. Require DOR to distribute 50% of the MCSR account aid payments on the fourth Monday in July and the remainder on the third Monday in November annually. Specify that these payments shall be considered local funds on the date that they are distributed, and may be paid into the separate accounts of all local governments established in the local government pooled-investment fund, and may be disbursed or invested, pursuant to the instructions of local officials.

**Joint Finance:** Delete provisions. Provide \$274,867,200 SEG in 2024-25 from the local government fund to fund the supplemental county and municipal aid program created under 2023 Act 12 to be distributed according to the aid formulas created under that Act. Of this amount, \$68,000,000 would be distributed to counties and \$206,867,200 would be distributed to municipalities, as required by Act 12.

**3. COUNTY AND MUNICIPAL AID PROGRAM -- POLICE AND FIRE PROTECTION FUND REVENUE REESTIMATE [LFB Paper 106]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance (Chg. to Gov)</b>	<b>Net Change</b>
GPR	-\$1,406,600	\$0	-\$1,406,600
SEG	<u>15,000</u>	<u>- 15,000</u>	<u>0</u>
GPR	-\$1,391,600	-\$15,000	-\$1,406,600

**Governor:** Decrease funding by \$703,300 GPR annually and increase funding by \$7,500 SEG annually for the county and municipal aid program to fund the current law statutory distribution amount, as reduced to reflect the offsets to payments to certain municipalities that received Volkswagen settlement transit capital grants. This reestimate reflects an increase of \$7,500 annually in the estimated amount of police and fire protection fund revenues being available for the county and municipal aid distribution each year. A corresponding reduction of \$703,300 annually is made to the GPR amounts needed to fund the county and municipal aid distribution amount as adjusted to reflect the Volkswagen settlement offsets. With these adjustments, including the offsets, an estimated \$1,959,300 less funding would be needed to fund the annual statutory distribution. Estimated current law GPR payments for the county and municipal aid program would be \$707,684,200 annually and estimated payments from the police and fire protection fund would be \$34,432,300 annually. These estimated amounts would be reduced under a separate recommendation, as shown below, that would use police and fire protection fund SEG funding for the other agencies, including a recommendation for the

Department of Military Affairs for public safety answering grants.

**Joint Finance:** Approve the recommendation to decrease funding by \$703,300 GPR but delete the \$7,500 SEG annually associated with the reestimate. This reflects the decreased amount of SEG funds from the police and fire protection fund to offset county and municipal aid payments in 2023-24 and the removal of police and fire protection fund SEG funding offset to county and municipal aid beginning in 2024-25, discussed in the item below.

**4. COUNTY AND MUNICIPAL AID PROGRAM -- POLICE AND FIRE PROTECTION FUNDING FOR OTHER AGENCIES**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$11,560,000	- \$11,560,000	\$0
SEG	<u>- 11,560,000</u>	<u>- 22,864,800</u>	<u>- 34,424,800</u>
Total	\$0	- \$34,424,800	- \$34,424,800

**Governor:** Provide an increase in funding of \$5,780,000 GPR annually and make a corresponding decrease in funding of \$5,780,000 SEG annually for the county and municipal aid program. These funding changes reflect the recommended changes in funding provided from the police and fire protection fund to the Public Service Commission and the Department of Military Affairs under the bill. County and municipal aid is paid from sum sufficient GPR and police and fire protection fund SEG appropriations. The GPR increase reflects a reestimate of the GPR sum sufficient appropriation that would be needed to offset the police and fire protection fund SEG funding decrease for county and municipal aid. Under the bill, the sum-sufficient GPR appropriation for county and municipal aid would be estimated at \$713,464,200 GPR annually and \$28,652,300 SEG annually.

Annual revenues to the police and fire protection fund are estimated \$52,200,700 annually under the bill. Of these amounts, \$28,652 300 would be used to fund county and municipal aid. In addition, an increase of \$6,149,100 in funding is recommended for the Department of Military Affairs, including \$6,000,000 annually for public safety answering point grants and \$149,100 annually in standard budget and other adjustments (see "Military Affairs"). Finally, \$19,399,300 in police and fire protection fund revenues would be used to fund base level funding in other agencies as follows: (a) \$166,000 annually for the Public Service Commission administration of the police and fire protection fee; (b) \$324,100 annually to fund the Department of Military Affairs interoperability council; and (c) \$18,908,600 annually to fund the Department of Military Affairs implementation of Next Generation 911.

**Joint Finance:** Delete the proposed annual increase of \$5,780,000 GPR and the annual decrease of \$5,780,000 SEG to reflect the levels of funding provided from the police and fire protection fund to the Public Service Commission and the Department of Military Affairs.

In 2024-25, rename the police and fire protection fund, the 911 fund, as required by 2023 Act 12. Delete the current law county and municipal aid SEG appropriation estimated at

\$34,424,800 SEG in 2024-25, which offsets GPR funding for county and municipal aid payments (see also "Department of Military Affairs" for the use of 911 fund monies).

**5. SUPPLEMENTAL COUNTY AND MUNICIPAL AID -- LAC COURTE OREILLES FEDERAL COURT DECISION [LFB Paper 710]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$1,098,200	- \$1,098,200	\$0

**Governor:** Provide \$578,000 in 2023-24 and \$520,200 in 2024-25 and create a sum sufficient appropriation to make supplemental county and municipal aid payments to certain towns and counties affected by the 2022 U.S. 7<sup>th</sup> Circuit Court of Appeals decision *Lac Courte Oreilles Band of Lake Superior Chippewa Indians of Wisconsin v. Evers*. The Court ruled in that case that the state of Wisconsin and its political subdivisions are prohibited under the 1854 Treaty of La Pointe from taxing all real property within the Bad River, Lac Courte Oreilles, Lac du Flambeau, and Red Cliff reservations if that property is owned by the tribe or one or more tribal members, regardless of whether the property had been previously owned by a non-tribal member. The effect of this decision is to reduce the amount of taxable property within certain towns and counties in which such property exists, which also shifts property taxes to the remaining taxable properties within those jurisdictions.

The affected towns and counties that will receive a payment from this program are: (a) the Town of Gingles in Ashland County; (b) the Town of Sanborn in Ashland County; (c) the Town of White River in Ashland County; (d) the Town of Russell in Bayfield County; (e) the Town of Sherman in Iron County; (f) the Town of Bass Lake in Sawyer County; (g) the Town of Lac du Flambeau in Vilas County; (h) Ashland County; (i) Bayfield County; (j) Iron County; (k) Sawyer County; and (l) Vilas County.

Direct the Department of Administration to calculate the amount of property tax revenue lost as a result not being able to legally impose general property taxes on property located within the Bad River, Lac Courte Oreilles, Lac du Flambeau, and Red Cliff reservations and owned by the tribe or one or more tribal members, and provide a payment in 2023-24 equal to that amount. Reduce the payment provided to each town and county by 10% in 2024-25 and each year thereafter. Specify that no payment will be provided in 2032-33, or thereafter. Modify the existing county and municipal aid GPR appropriation to exclude these payments.

**Joint Finance:** Delete provision. Instead, provide \$3,613,000 PR to the Joint Finance Committee's supplemental PR appropriation in 2023-24 for the Committee to release to make one-time aid payments to the affected counties to compensate for not being able to impose taxes on real property. Separate legislation would be required in the 2023-24 legislative session to direct the Committee to distribute the funds to a newly-created tribal gaming appropriation created by this provision.

Create an annual PR appropriation funded from tribal gaming revenue to provide an aid

payment to the counties affected by the federal Circuit Court of Appeals decision. Any unencumbered balance in this PR appropriation as of June 30 of each year would lapse to the tribal gaming receipts appropriation account under DOA. Specify that the appropriation would sunset July 1, 2025. The fiscal effect of this item is shown in the Joint Finance Committee appropriation under "Program Supplements."

**6. COUNTY AND MUNICIPAL AID OFFSET ASSOCIATED WITH VOLKSWAGEN SETTLEMENT TRANSIT CAPITAL ASSISTANCE GRANTS** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

**7. EXEMPTION OF PERSONAL PROPERTY FROM TAXATION -- ADDITIONAL EXEMPT PERSONAL PROPERTY AID PAYMENTS**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$202,400,000	- \$202,400,000	\$0
SEG	<u>0</u>	<u>173,800,000</u>	<u>173,800,000</u>
Total	<u>\$202,400,000</u>	<u>- \$28,600,000</u>	<u>\$173,800,000</u>

**Governor:** Provide \$202,400,000 in 2024-25 and expand the existing sum sufficient appropriation to include additional payments to taxing jurisdictions associated with Governor's recommendation to exempt all personal property from property taxation. Require that beginning in 2025, the Department of Administration distribute to each taxing jurisdiction an amount equal to the property taxes levied in 2023(24) on items of personal property that would be exempt from taxation under the bill. Specify that beginning in 2026, and each year thereafter, the amount of aid received by taxing jurisdictions would equal the previous year's distribution, adjusted by the percentage change in the U.S. consumer price index for all urban consumers, U.S. city average, for the 12 months ending on June 30, but not less than zero. The current law aid payment is meant to hold taxing jurisdictions harmless of the loss in taxable value associated with the 2017 exemption of personal property classified as machinery, tools, and patterns not used for manufacturing, from taxation.

Require municipalities to report to DOR the amount of property taxes levied on items of personal property as of January 1, 2023, on behalf of the municipality and other taxing jurisdictions. Specify that a municipality's 2025 personal property aid payment would be reduced by 50% if the municipality does not provide this information by June 30, 2024, and forfeited if the municipality does not provide this information by July 15, 2024. If a municipality fails to submit this information to DOR, the Department may use the best available information to estimate the amount of the 2025 aid payment to the other affected taxing jurisdictions.

Delete the aid payment appropriation created by 2021 Act 58 to make payments to local taxing jurisdictions if the personal property tax was repealed during the 2021-22 legislative session. Repeal the requirement that the Joint Finance Committee transfer funds appropriated in 2021-22 from its biennial supplemental appropriation to that personal property aid payment

appropriation following a repeal of the personal property tax.

**Joint Finance:** Delete provision. Instead, beginning in 2024-25, provide \$173,800,000 SEG from the local government fund for an aid payment to hold local taxing jurisdictions harmless following the repeal of remaining personal property from taxation included in 2023 Act 12. Modify the current law levy limit adjustment for personal property aid to include the new personal property aid payments provided under this provision.

**8. EXISTING EXEMPT PERSONAL PROPERTY AID REESTIMATE [LFB Paper 106]**

GPR	\$180,000
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**Governor/Joint Finance:** Increase funding by \$90,000 annually to reflect a reestimate of the current law exempt personal property aid payments to local governments for exempt personal property classified as non-manufacturing machinery, tools, and patterns. This reestimate reflects changes to the treatment of personal property aid payments provided to tax incremental financing (TIF) districts after the district closes, made by 2021 Act 61. That Act required those payments to be distributed among all overlying taxing jurisdictions in the year after the district closes, according to each jurisdiction's share of the TIF district's value. This aid payment was created to hold local taxing jurisdictions harmless for this property being made tax exempt in 2017. With this reestimate, base level funding of \$75,530,900 would increase to \$75,620,900 in both years of the biennium (the amount in 2024-25 would be increased under a separate recommendation, shown below, to exempt additional items of personal property from taxation).

**9. ELIMINATE COMPUTER AID PAYMENT DELAY**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$98,047,100	- \$98,047,100	\$0

**Governor:** Provide \$98,047,100 in 2023-24 associated with eliminating the delay in computer aid payments, beginning with the 2024 aid payment. Specify that the date for the distribution of the current calendar year computer aid payment to taxing jurisdictions be the first Monday in May of that year, rather than the fourth Monday in July (the subsequent fiscal year), as required under current law. For example, under current law, the 2024 aid payments are distributed on the fourth Monday in July, which means these computer aid payments are made in 2024-25. Under the recommended payment date change, the 2024 aid payment would instead be made in 2023-24. To reflect the change in payment dates, eliminate the requirement that school districts treat computer aid payments received in July as if they had been received in the previous school year. Specify that this change would first take effect on January 1, 2024. The provision would result in both the calendar year 2023 and 2024 computer aid payments being made in 2023-24. Computer aid payments are made to hold local taxing jurisdictions harmless for exempt computer property that was made tax exempt in 1999.

**Joint Finance:** Provision not included.

**10. PUBLIC UTILITY AID -- SUM SUFFICIENT REESTIMATE [LFB Paper 106]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$8,641,500	- \$1,207,900	\$7,433,600

**Governor:** Increase funding by \$264,800 in 2023-24 and \$8,376,700 in 2024-25 to the sum sufficient utility aid distribution account to reflect estimated payment amounts in the biennium. With these adjustments, base level funding of \$87,916,900 would increase to \$88,181,700 2023-24 and \$96,293,600 in 2024-25. The public utility aid distribution account is used to make aid payments to counties and municipalities containing light, heat, power, and electric public utility generation and transmission properties that are exempt from local property taxation.

**Joint Finance:** Increase funding by \$768,100 in 2023-24 and decrease funding by \$1,976,000 in 2024-25 to the sum sufficient utility aid distribution account. With these adjustments, utility aid distributions would equal \$88,949,800 in 2023-24 and \$94,317,600 in 2024-25.

**11. UTILITY AID -- ENERGY STORAGE FACILITIES** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$400,000	- \$400,000	\$0

**12. UTILITY AID -- ELECTRIC VEHICLE CHARGING INFRASTRUCTURE** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$2,700	- \$2,700	\$0

**13. PAYMENTS FOR MUNICIPAL SERVICES PROGRAM**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$1,858,400	- \$1,858,400	\$0
GPR-REV	\$606,600	- \$606,600	\$0

**Governor:** Provide \$929,200 annually for the payments for municipal services program, to

increase base level funding from \$18,584,200 to \$19,513,400 for the program. In addition, increase GPR-REV by \$303,300 annually to reflect additional chargebacks to facilities funded from non-GPR sources. The program provides annual payments to reimburse municipalities for all or a portion of property tax supported expenses incurred in providing services to state facilities, which are exempt from property taxation. When calculated entitlements under the program exceed the appropriation, payments are prorated. In 2022-23, payments under this program were prorated at 38.1% of total calculated entitlements.

**Joint Finance:** Delete provision.

- 14. EXPENDITURE RESTRAINT PAYMENT PROGRAM [LFB Paper 106]**

GPR	-\$2,232,000
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**Governor/Joint Finance:** Reduce funding by \$1,166,000 annually in the appropriation for the expenditure restraint payment program. These decreases reflect the elimination of payments made to the Village of Maine and the City of Janesville, which ended with the payment made in 2022-23. With these adjustments, base level funding would decrease from the adjusted base level funding amount of \$59,311,700 to \$58,145,700 each year.

- 15. EXPENDITURE RESTRAINT PROGRAM -- DEFINITION OF MUNICIPAL BUDGET** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

- 16. UTILITY AID -- INCREASE EXISTING INCENTIVE AIDS**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$0	\$4,100,000	\$4,100,000

**Joint Finance:** Provide \$4,100,000 GPR in 2024-25 associated with modifying existing incentive aid components of the utility aid formula. Increase the incentive aid payment from \$600 to \$900 per megawatt for production plants with at least one of the following characteristics: (a) the production plant was built on the site of or on a site adjacent to an existing or decommissioned production plant; (b) the production plant was built on a site purchased before January 1, 1980, that was identified in an advance plan as a proposed site for a production plant; or (c) on a brownfield or a site adjacent to a brownfield. In addition, increase the incentive aid payment from \$1,000 to \$1,500 per megawatt for production plants that generate power using alternative energy resources. This provision would first apply to the 2024 aid distribution, which is paid in 2024-25.

- 17. CONVERT COUNTY AND MUNICIPAL AID APPROPRIATION TO SEG -- LOCAL GOVERNMENT FUND**

GPR	-\$707,684,200
SEG	753,075,300
Total	\$45,391,100

**Joint Finance:** Beginning in 2024-25, convert the GPR appropriation for providing existing county and municipal aid payments to a SEG appropriation funded from the

local government fund, created under 2023 Wisconsin Act 12. Delete \$707,684,200 GPR and provide \$753,075,300 SEG in 2024-25 from the local government fund to make the aid payments in that year.

**18. CONVERT GPR COMPUTER AID APPROPRIATION TO SEG -- LOCAL GOVERNMENT FUND**

GPR	- \$98,047,100
SEG	<u>98,047,100</u>
Total	\$0

**Joint Finance:** Beginning in 2024-25, convert the GPR appropriation for providing computer aid payments to a SEG appropriation funded from the local government fund, created under 2023 Wisconsin Act 12.

**19. CONVERT GPR PAYMENTS FOR MUNICIPAL SERVICES PROGRAM APPROPRIATION TO SEG - LOCAL GOVERNMENT FUND**

GPR	-\$18,584,200
SEG	<u>18,584,200</u>
Total	\$0

**Joint Finance:** Beginning in 2024-25, convert the GPR appropriation for providing payments for municipal services to a SEG appropriation funded from the local government fund, created under 2023 Wisconsin Act 12.

**20. CONVERT GPR EXPENDITURE RESTRAINT PAYMENT PROGRAM APPROPRIATION TO SEG -- LOCAL GOVERNMENT FUND**

GPR	-\$58,145,700
SEG	<u>58,145,700</u>
Total	\$0

**Joint Finance:** Beginning in 2024-25, convert the GPR appropriation for providing expenditure restraint payments to a SEG appropriation funded from the local government fund, created under 2023 Wisconsin Act 12.

**21. CONVERT GPR VIDEO SERVICE PROVIDER FEE AID APPROPRIATION TO SEG -- LOCAL GOVERNMENT FUND**

GPR	-\$10,008,900
SEG	<u>10,008,900</u>
Total	\$0

**Joint Finance:** Beginning in 2024-25, convert the GPR appropriation for providing video service provider fee aid payments to a SEG appropriation funded from the local government fund, created under 2023 Wisconsin Act 12.

**22. CONVERT EXISTING GPR EXEMPT PERSONAL PROPERTY AID APPROPRIATION TO SEG -- LOCAL GOVERNMENT FUND**

GPR	-\$75,620,900
SEG	<u>75,620,900</u>
Total	\$0

**Joint Finance:** Beginning in 2024-25, convert the GPR appropriation for providing existing personal property aid payments to a SEG appropriation funded from the local government fund, created under 2023 Wisconsin Act 12.

## Property Tax Credits

**1. FIRST DOLLAR CREDIT REESTIMATE [LFB Paper 106]**

GPR	- \$544,000
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**Governor/Joint Finance:** Decrease funding by \$272,000 annually to reflect the \$148,228,000 actual amount of 2022(23) credits to be paid in 2023-24 and the estimated credits to be paid for property tax year 2023(24) in 2024-25. The 2022(23) credits are to be distributed in July, 2023, based on the \$8,500 credit base established by the Department of Revenue in November, 2022, and an estimate of the eligible parcels on which the credit was claimed. The base funding level for the first dollar credit is \$150 million.

**2. FARMLAND PRESERVATION CREDIT REESTIMATE [LFB Paper 106]**

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	- \$900,000	- \$650,000	- \$1,550,000

**Governor:** Reestimate the sum-sufficient appropriations for the farmland preservation tax credit by -\$430,000 in 2023-24 and -\$470,000 in 2024-25. The credit applies to certain lands in farmland preservation zoning districts and under farmland preservation agreements. The bill would budget payments under the credit at \$16,360,000 in 2023-24 and \$16,320,000 in 2024-25. The cost of the credit for 2022-23 is estimated to be \$16,340,000.

**Joint Finance:** Reestimate an additional -\$220,000 in 2023-24 and -\$430,000 in 2024-25 for the farmland preservation tax credit. Payments under the credit would be budgeted at \$16,140,000 in 2023-24 and \$15,890,000 in 2024-25. The cost of the credit for 2022-23 is estimated to be \$16,340,000.

**3. LOTTERY AND GAMING CREDIT REESTIMATE [LFB Paper 675]**

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
SEG	\$41,695,600	\$53,888,200	\$95,583,800

**Governor:** Increase funding by \$21,734,700 in 2023-24 and \$19,960,900 in 2024-25 to the sum sufficient appropriation to reflect estimates of lottery proceeds available for lottery and gaming property tax credit distribution. With these adjustments, estimated total funding for the credit would increase from an adjusted base level of \$277,116,000 to \$298,850,700 in 2023-24 and \$297,076,900 in 2024-25. The estimated cost of the credit for 2022-23 is \$319.9 million.

**Joint Finance:** Increase funding for the lottery and gaming credit by \$39,175,100 in 2023-

24 and decrease funding by \$14,713,100 in 2024-25 to reflect reestimates of the lottery fund condition associated with lottery sales, interest earnings, and additional lottery staff. This reflects increased funding for the credit of \$15,849,800 annually to reflect additional GPR funding for lottery expenditures. The net effect of these changes would increase funding for the credit by \$39,175,100 in 2023-24 and \$14,713,100 in 2024-25. With these increases, funding for the credit would equal an estimated \$338,025,800 in 2023-24 and \$311,790,000 in 2024-25.

**4. LOTTERY AND GAMING CREDIT; LATE APPLICATIONS**

SEG	\$368,800
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[LFB Paper 106]

**Governor/Joint Finance:** Request increases of \$184,400 in each year to the sum sufficient appropriation to reflect estimated lottery and gaming credits to be paid to persons who apply for the credit after tax bills have been issued. With these adjustments, estimated total funding would increase from an adjusted base level of \$665,600 to \$850,000 annually.

**5. SCHOOL LEVY TAX CREDIT FUNDING INCREASE**

GPR	\$590,000,000
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**Joint Finance:** Provide an additional \$255,000,000 GPR in 2023-24 and \$335,000,000 GPR in 2024-25, and each year thereafter, for the school levy tax credit. Create a separate payment date to distribute this payment amount on the first Monday in May, rather than the fourth Monday in July, when existing school levy tax credits are paid. With these changes, total funding for the credit would increase to \$1,195,000,000 GPR in 2023-24 and \$1,275,000,000 GPR in 2024-25, and each year thereafter.

## Property Taxation

1. **LEVY LIMITS -- 2% MINIMUM LEVY INCREASE** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*
2. **LEVY LIMITS -- REPEAL OF NEGATIVE ADJUSTMENT FOR FEES FROM COVERED SERVICES** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*
3. **LEVY LIMITS -- REPEAL OF NEGATIVE ADJUSTMENT FOR TRANSFERRED SERVICES** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

4. **LEVY LIMITS -- APPROVAL OF CARRYOVER LEVY CAPACITY ADJUSTMENT** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*
  
5. **LEVY LIMIT -- MODIFICATION TO CURRENT EXCLUSION FOR JOINT FIRE DEPARTMENTS AND JOINT EMERGENCY MEDICAL SERVICES DISTRICTS** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*
  
6. **LEVY LIMIT -- EXCLUSION FOR REGIONAL PLANNING COMMISSION CONTRIBUTIONS** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*
  
7. **LEVY LIMIT -- EXCLUSION FOR CROSS-BORDER TRANSIT ROUTES** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*
  
8. **PERSONAL PROPERTY TAX EXEMPTION**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance (Chg. to Gov)</b>	<b>Net Change</b>
GPR-Transfer	\$9,000,000	-\$9,000,000	\$0
SEG-Transfer	\$0	\$8,000,000	\$8,000,000

**Governor:** Require DOA to transfer \$9.0 million from the general fund to the transportation fund on December 30, 2024, associated with the exemption of the personal property tax from taxation. Further, require DOA to transfer from the general fund to the transportation fund an amount equal to the amount transferred to the transportation fund in the previous year, increased by 1.25%, on December 30, 2025, and each December 30 thereafter.

Under current law, taxes paid by railroad companies are deposited into the transportation fund. Due to the exemption of personal property taxes from taxation and the changes made to the taxation of railroads, revenues to the transportation fund would decrease due to the reduction in taxable value of railroad companies. This annual payment would compensate the transportation fund for that lost revenue each year.

**Personal Property Exemption**

Make the following statutory modifications to related to the provisions to exempt personal property from taxation, beginning with property tax assessments as of January 1, 2024.

*Property Made Exempt from Property Taxation.* In addition to those items specifically exempt from the personal property tax, specify that the exemption would apply to the following types of property, defined as personal property under current law: (a) all goods, wares, merchandise, chattels, and effects, of any nature or description, having any real or marketable

value, and not defined as real property; (b) saw logs, timber, and lumber, either upon land or afloat; (c) steamboats, ships, and other vessels, whether at home or abroad, and ferry boats, including the franchise for running the same; (d) ice cut and stored for use, sale, or shipment; (e) irrigation implements used by a farmer, including pumps, power units to drive the pumps, transmission units, sprinkler devices, and sectional piping; and (f) off-premises advertising signs that do not advertise the business or activity that occurs at the site where the sign is located.

Specify that the exemption would also apply to steam and other vessels, and furniture and equipment. Classify recreational mobile homes, as currently defined, as personal property and make such homes exempt from the property taxation if the land upon which the this type of property is located is not owned by the home owner or the home is not set upon a foundation or connected to utilities. Under current law, all recreational mobile homes are specifically exempt from the personal property tax. However, this specific exemption would be modified to include only recreational mobile homes that would be classified as personal property under the bill.

Allow taxing jurisdictions to include the most recent valuation of personal property to be exempt from taxation that is located in the taxing jurisdiction for the purposes of complying with debt limitations applicable to the jurisdiction.

*Property Remaining Subject to Property Taxation.* Specify that this exemption would not apply to any property defined as real property, improvements on leased lands assessed as real property, or any property owned by electric utility companies that is located entirely in a single municipality and is subject to local property taxation. Reclassify certain property currently assessed as personal property to real property, which would result in the property remaining subject to general property taxation. Specify that beginning with the property tax assessments as of January 1, 2024, the following property would be specifically assessed as real property and remain subject to the property tax: (a) manufactured and mobile homes not otherwise exempt from taxation, if the home is set upon a foundation and connected to utilities; (b) advertising signs, except off-premises signs that do not advertise the business or activity that occurs at the site where the sign is located; (c) buildings, improvements, and fixtures on leased lands; (d) buildings, improvements, and fixtures on exempt lands, not otherwise exempt from taxation; (e) buildings, improvements, and fixtures on forest croplands; (f) buildings, improvements, and fixtures on managed forest lands; and (g) improvements on lands in the state owned by the federal government. Provide that real property buildings and improvements would not include any property classified as personal property. Update cross-references to require that this property be assessed as real property.

Remove toll bridges, private railroads and bridges, and entire property of utility companies, which are located entirely within one taxation district, from the definition of personal property. (The property of utility companies located entirely within one taxation district is discussed further below, under the section "Treatment of Public Utility Taxes.")

*Aid Payment to Hold Taxing Jurisdictions Harmless.* Create an aid payment to compensate local taxing jurisdictions for loss in taxable value associated with the exemption of personal property from taxation. [See "Direct Aid Payments."]

*Changes to Certain Assessment Practices.* Specify that the following current law requirements apply only to assessments of personal property made before January 1, 2024: (a) the

assessment of personal property in the assessment district where it is located; (b) to whom the property is to be assessed, including when owner is not in the charge or possession of the property; (c) the liability to the owner when personal property is assessed to another, including a debtor's interest or right to receive property; (d) personal property under partnership, including limited liability partnerships; (e) the treatment of undistributed personal property belonging to an estate, of a decedent and claims for taxes against that property for estates with no personal representative or trustee, or one or more such representative or trustees; (f) the duties of the assessor regarding the valuation, and the placement of assessments and aggregate values on the assessment rolls; (g) the taxpayer oath regarding determination of the amount and value of personal property tax on the tax rolls, including the assessor and board of review responsibilities; (h) penalties for false statements regarding personal property on assessments, including the District Attorney's duties; (i) the correction of tax rolls regarding personal property tax; (j) the treatment of personal property omitted from tax rolls; (k) the requirement for the name and address of owners of all personal property and amounts of taxes to appear on tax rolls; (l) the collection of taxes in certain cities; (m) the correction of errors in the listing of personal property on the tax roll; (n) the reassessment of property; and (o) with regard to examining the practices of assessors, delete the current law reference relating to DOR having to solve disputes between the Department, municipalities, and property owners regarding the taxability of computers, cash registers and fax machines.

*Assessor's Plat.* Include land and the buildings, improvements, and fixtures on that land to the current law definition of an assessor plat involving land owned by two or persons in severalty. Update statutory references to assessor's plats to include references to the land and the buildings, improvements, and fixtures on that land.

*Recalculation of TIF District Base Values.* Specify that upon receiving a written application from the town, village, city or political subdivision clerk, in a form prescribed by DOR, the Department would be required to recalculate the base value of a tax incremental financing (TIF) district or an environmental remediation TIF district affected by the exemption of personal property from taxation to remove the value of such personal property. Require that any request received before October 31 would be effective in the year following the year in which the request is made. Any request received after October 31 would be effective in the second year following the year in which the request is made.

*Assessment of Manufacturing Property.* Modify the assessment of manufacturing property to: (a) delete references to lands, buildings and structures to refer instead to real property; (b) delete references to personal property or tangible personal property to refer instead to real property only; (c) clarify that "manufacturing, assembling, processing, fabricating, making, or milling" includes the entire productive process, and includes activities such as the storage of raw materials, the movement thereof to the first operation thereon, and the packaging, bottling, crating, or other preparation of products for shipment when located at the site of the production process; (d) delete the requirement that DOR assess tangible personal property used in manufacturing; (e) require that a change in location of a manufacturing establishment would not necessitate a new request for the Department to classify a property as manufacturing property; and (f) delete the requirement that the DOR calculate the value of tax-exempt computer property, cash registers, and fax machines that are used in manufacturing.

Establish a procedure for DOR to classify an establishment as manufacturing, if the Department determines that the establishment is engaged in manufacturing. Require an establishment that wishes to be classified as manufacturing to submit a written request to DOR by July 1 of the year for which that classification is desired. Allow DOR to audit or investigate requests for classification and to revoke classification of an establishment as manufacturing. Require an establishment that submits a request for classification to notify DOR of any termination of manufacturing activity within 60 days. Require DOR to issue a notice of determination by December 31 for any classification request received by July 1, and allow DOR to issue a notice of determination by December 31 for classification requests received after July 1 at its discretion. Specify that the notice be in writing and sent by first class mail or electronic mail, and require that the notice include information that objections must be filed in writing with the state Board of Assessors no later than 60 days after the date of the notice and that a fee of \$200 must be paid when the objection is filed. Specify that an objection will not be considered to have been filed until the fee is paid and that the requirement that the objection be in writing may not be waived by either the Board of Assessors or the Tax Appeals Commission. Provide that an objection would be considered timely if received by the Board no later than 60 days after the date of the notice of determination or sent by U.S. postal service certified mail in a properly addressed envelope, with postage paid, that is postmarked before midnight of the last day of filing. Require the state Board of Assessors to investigate any timely objections and provide notice of its decision to the objector or the objector's agent by 1st class mail or electronic mail. Specify that if the state Board of Assessors result in an establishment should not be classified as manufacturing, the person who has been notified of the Board's decision will be assumed to accept the determination, unless that person files a petition for review with the clerk of the Tax Appeals Commission. Extend references to this classification procedure and objections to include current law determinations of the Tax Appeals Commission.

*Miscellaneous Property Tax Provisions.* Remove various statutory references to personal property to reflect the exemption of personal property from the assessment of property taxes. Specify that property that is used in part in a non-profit trade or business under Sections 511 to 515 of the federal internal revenue code would not be assessed for taxation, if that property is otherwise exempt from general property taxation. Repeal the current law provision that the property tax for property that is owned or leased by a corporation that provides services to a light, heat, and power company, that is subject to tax under Chapter 76 of statutes, be assessed for taxation in part at the portion of the fair market value of the property that is not used to provide such services.

Delete the current law reference that delinquent dog license taxes can be collected using the same process for collecting personal property taxes. Rather, allow delinquent dog licenses to be collected in a civil action, if that action is brought within six years after the January 1 of the year in which the taxes are required to be paid.

### **Income and Franchise Tax Changes**

The bill would provide for technical changes to correct various cross references to the personal property tax in the income and franchise tax statutes.

In regards to the manufacturing and agriculture tax credit (MAC), the bill would alter the definition of "manufacturing property factor" and "qualified production property" as follows. Under current law, the credit is designed to provide tax relief in proportion to the amount of the claimant's manufacturing and agricultural property that is located in Wisconsin. Generally, the MAC is computed as 7.5% of a claimant's eligible qualified production activities income (QPAI). QPAI is the sum of production gross receipts less certain costs, where production gross receipts are defined as including certain personal property grown by the claimant on Wisconsin agricultural land and tangible personal property manufactured in whole or in part by the claimant on property assessed as manufacturing. Eligible QPAI for the manufacturing credit is the claimant's QPAI multiplied by the manufacturing property factor.

Because personal property would no longer be assessed under the personal property tax, the bill would make the following changes to computing the MAC. First, the manufacturing property factor would be based on the claimant's land and depreciable property, rather than real and personal property assessed as manufacturing. Second, the definition of "qualified production property" would exclude property that is not manufactured within the state on property approved to be classified and assessed as manufacturing real property. (The bill would also clarify that this includes property not eligible to be listed on DOR's manufacturing roll until January 1 of the following year.) This modification is intended to prevent property manufactured outside the state from qualifying for the credit.

Third, to provide a Wisconsin manufacturer that does not own any real property within the state a means of claiming the MAC, the bill would define qualified production property as also including tangible personal property manufactured in whole or in part by the claimant at an establishment that is located in this state and classified as manufacturing. A person wishing to classify the person's establishment as manufacturing would be required to file an application in the form and manner prescribed by DOR no later than July 1 of the taxable year for which the person wishes to claim the MAC. DOR would be required to make a determination and provide written notice by December 31 of the year in which the application is filed. Such determination on the classification could be appealed in the same manner as classifying an establishment under the property tax.

The Administration did not provide a fiscal effect for the foregoing alterations to the definitions of the manufacturing property factor and qualified production property.

Finally, the bill would provide for technical changes under income and franchise tax provisions to remove cross references to the personal property tax, including: (a) the homestead tax credit; (b) the veterans and surviving spouses property tax credit; (c) the property tax/rent credit; and (d) an administrative provision for liens on trust estates for taxes levied against a beneficiary.

### **Sales Tax Provisions**

Under current law, several general sales and use tax exemptions apply for items and property used in real property construction activities. "Real property construction activities" means activities that occur at a site where tangible personal property that is applied or adapted to the use or purpose to which real property is devoted is affixed to that real property, if the intent of the

person who affixes that property is to make a permanent accession to the real property. "Real property construction activities" do not include: (a) affixing leased property to real property, if the lessor has the right to remove the leased property upon breach or termination of the lease agreement; or (b) affixing tangible personal property to real property, if the tangible personal property remains tangible personal property after it is affixed.

The bill would modify the definition of "real property construction activities" to mean activities that occur at a site where tangible personal property that is applied or adapted to the use or purpose to which real property is devoted is permanently affixed to that real property. It would specify that DOR could promulgate rules to determine whether activities that occur at a site where tangible personal property is affixed to real property are real property construction activities for the purposes of the general sales and use tax. If the classification of property or an activity is not identified by rule, DOR would have to make its determination of whether tangible personal property becomes a part of real property by considering the following criteria: (a) actual physical annexation to the real property; (b) application or adaptation to the use or purpose to which the real property is devoted; and (c) an intention on the part of the person making the annexation to make a permanent accession to the real property.

Modify current law sales and use tax exemptions for certain prepared food manufactured by the retailer and certain property used in biotechnology and manufacturing research to reflect the exemption of personal property from the assessment of property taxes.

### **Treatment of Public Utility Taxes**

Specify that nothing related to the local taxation of property (Chapter 70), as modified, would be construed as exempting personal property from taxation for entities as public utilities that pay utility tax to the state under the taxation of public utilities (Chapter 76), except for the following property specifically exempt from local taxation under current law: (a) treatment plant and pollution abatement equipment; (b) computers, cash registers, and fax machines; (c) property assessed a gross receipts tax or license fee under Chapter 76; (d) motor vehicles, bicycles and snowmobiles; and (e) an airline hub facility.

*Air Carrier Companies.* Delete the current law reference to the definition of an air carrier and the exemption from local property taxation for hub facilities and instead create the same definition and exemption under Chapter 76 of the statutes for the purposes of state taxation. Specify that such facilities would not be subject to local assessment and taxation. Amend various cross references to reflect these changes to the definition and exemption.

*Light, Heat, and Power Companies.* Maintain that the property of light, heat, and power companies, not including qualified wholesale electric companies, would continue to be subject to local assessment and taxation, as it existed in the 2021 statutes (prior to the repeal of the personal property tax), if that property is located entirely in a single town, village, or city. Property of these companies would continue to be exempt from license fees (taxation) under Chapter 76.

*Railroad Companies.* In determining the property of a railroad company owned or rented by the company and used in operation of the business in the state, replace the reference to road property to refer instead to real property. Repeal migratory road property and the apportionment

of such unit miles to Wisconsin from the calculation used by DOR in determining the property of railroad companies. Delete the requirement that rolling stock, equipment, and personal property of railroad companies be included on assessment rolls prepared by DOR.

Under current law, taxes paid by a railroad company that are derived from or can be apportioned to repair facilities, docks, ore yards, piers, wharves, grain elevators, and their approaches, or car ferries, are distributed from the transportation fund to the towns, villages, and cities in which they are located. This is the terminal tax distribution, which is currently funded at \$1,906,000 annually. Specify that beginning with amounts distributed in 2023, any town, village, or city may not receive less than the amount received in 2022. This provision would hold local governments that receive a terminal tax distribution harmless for the loss in value associated with making this property exempt from state taxation. Further require that beginning with amounts distributed to any town, village, or city in 2024, the amount distributed may not be less than the amount distributed in 2022, adjusted by an inflation factor. Define "inflation factor" to mean a percentage equal to the average annual percentage change in the U.S. consumer price index for all urban consumers, U.S. city average, for the 12 months ending on December 31 of the year before the year of assessment, but not less than zero. No estimate of the impact of this provision on transportation fund revenues is included in the bill.

*Subchapter 1 of Chapter 76 Companies.* Delete the requirement that all real and personal property of an air carrier, railroad, conservation and regulation, or a pipeline company be deemed personal property for the purposes of taxation. Rather, both types of property would be valued and assessed together as a single unit. Require public utilities to differentiate between real and personal property when submitting reports to DOR.

*Telephone Companies.* To reflect the changes that the exemption of personal property from taxation would make to manufacturing assessment practices under the bill, delete the requirement that DOR assess property of telephone companies using the methods used to assess manufacturing property, including exempt manufacturing machinery and specific processing equipment property.

*Domestic Insurance Companies.* To reflect the exemption of personal property from local taxation, repeal the allowable deduction of a portion of personal property taxes from the amount of license fees to be paid by a domestic insurer.

**Joint Finance:** Delete provision. The repeal of personal property taxes was included in 2023 Wisconsin Act 12. Make an \$8.0 million SEG-Transfer in 2024-25 from the newly-created local government fund to the transportation fund associated with the Act 12 repeal of personal property taxes on railroad property. Prior to the repeal of these taxes on railroad property, revenues from the taxes were deposited to the transportation fund.

**9. DARK PROPERTY AND LEASED PROPERTY TAX ASSESSMENTS ("DARK STORES")** (*Removed from budget consideration pursuant to Joint Finance Motion #10*)

10. **WORKFORCE HOUSING LAWS RELATED TO TIF DISTRICTS, LOCAL HOUSING INITIATIVES AND STATE GRANTS, AND IMPACT FEES** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*
11. **TIF DISTRICT MODIFICATIONS** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*
12. **TIF DISTRICT EQUALIZED VALUE LIMIT EXCEPTION** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*
13. **COLLECTION OF MANUFACTURING PROPERTY ASSESSMENT FEES** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*
14. **WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY HEADQUARTERS PROPERTY TAX EXEMPTION** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*
15. **CRANBERRY RESEARCH STATION PROPERTY TAX EXEMPTION**

**Governor:** Provide a property tax exemption for all property, not exceeding 50 acres of land, that is used primarily for research and educational activities associated with commercial cranberry production. Specify that the property must be owned or leased by a nonprofit organization that is exempt from income taxation under federal section 501(c)(3) of the Internal Revenue Code. This provision would first apply to the property tax assessments as of January 1, 2024, for the 2024(25) property tax year.

This exemption would apply to the Wisconsin Cranberry Research Station, owned by the Wisconsin Cranberry Research and Education Foundation and located in the Town of Manchester in Jackson County. The exemption would result in the tax currently levied on this property being shifted to other properties within the taxing jurisdictions in which the Research Station is located.

**Joint Finance:** Provide the property tax exemption for all property, regardless of total acreage, that would otherwise be eligible for the exemption. Specify that the provision would first apply to the property tax assessments as of January 1, 2023, for the 2023(24) property tax year, a year earlier than the Governor's recommendation.

**16. TOWN OF SANBORN LEVY LIMIT**

**Joint Finance:** Prohibit the Town of Sanborn in Ashland County from imposing a mill rate above 5 mills. Further, specify that the current law provision allowing counties and municipalities to exceed their levy limits for debt service on general obligation debt authorized on or after July 1, 2005, does not apply to the Town of Sanborn. Prohibit the Town of Sanborn from requesting a chargeback of property tax refunds issued by the Town, pursuant to the decision in *Lac Courte*

*Oreilles Band of Lake Superior Chippewa Indians of Wisconsin v. Evers*, for tax years 2015 to 2021.

## Forestry Mill Rate

1. **FORESTRY MILL RATE -- GPR TRANSFER TO THE CONSERVATION FUND CURRENT LAW REESTIMATE**

GPR	\$47,517,400
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[LFB Paper 106]

**Governor/Joint Finance:** Increase funding by \$25,958,700 in 2023-24 and \$21,558,700 in 2024-25 for the annual transfer to the conservation fund from the sum sufficient appropriation to reflect projected changes in statewide equalized values. Funds equal to the amount calculated by multiplying the value of all taxable property in the state, as determined by DOR, by a rate of 0.1697 mills (0.01697%) are transferred from the general fund to the conservation fund annually. This transfer occurs due to the repeal of the state forestry mill tax as of property taxes levied in 2017, payable in 2018. With these adjustments, base level funding of \$115,541,300 would increase to \$141,500,000 in 2023-24 and \$137,100,000 in 2024-25. [See "Natural Resources -- Forestry and Parks."]

2. **GPR TRANSFER TO THE CONSERVATION FUND -- IMPACT OF THE EXEMPTION PERSONAL PROPERTY FROM TAXATION**

GPR	- \$1,600,000
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**Governor/Joint Finance:** Reduce the amount of the annual transfer (under the forestry mill rate) to the conservation fund by \$1,600,000 in 2024-25 to reflect statewide decreases in taxable equalized values associated with the exemption of personal property from taxation (similar provisions were enacted under 2023 Wisconsin Act 12). This reduction would correspond to a decrease in taxable values of approximately \$9.4 billion in 2024-25 due to personal property no longer being taxable. Additional information on the proposed exemption of the personal property from taxation can be found under a separate item (see "Shared Revenue and Tax Relief -- Property Taxation"). Under this recommendation, the total transfer to the conservation fund, as reestimated, would equal \$135,500,000 in 2024-25.

## Local Revenue Options

1. **MILWAUKEE COUNTY SALES TAX AUTHORITY** (*Removed from budget consideration pursuant to Joint Finance Motion #10*)

2. **LOCAL SALES TAX AUTHORITY** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*
  
3. **PREMIER RESORT AUTHORITY - CITY OF PRESCOTT** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*
  
4. **PREMIER RESORT AUTHORITY - VILLAGE OF PEPIN** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

### **Other Credits**

Descriptions of budget provisions related to the homestead tax credit, earned income tax credit, enterprise zone tax credits, veterans property tax credit, other tax credits, and cigarette and tobacco products tax refunds are provided under "General Fund Taxes -- Refundable Tax Credits and Other Payments."